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C O N F I D E N T I A L SECTION 01 OF 03 ADDIS ABABA 001612

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SUBJECT: ETHIOPIA: SCENESETTER FOR GENERAL ABIZAID'S VISIT

Classified By: CHARGE D'AFFAIRES A.I. VICKI HUDDLESTON. REASON: 1.4 (B)  
AND (D)

¶1. (SBU) Welcome back to Addis Ababa! Your visit comes as the country works to rebuild public confidence in democratic institutions, resume progress on economic reforms and cope with potential threats on its borders with Eritrea and now Somalia. Ethiopia remains a strong U.S. partner in the global war on terrorism, though the ONLF insurgency in the Ogaden has complicated CJTF-HOA's operations in the region. CJTF-HOA has recently worked closely with Embassy Addis in implementing USG support to peace efforts in Darfur. The USG is currently leading diplomatic efforts to implement the long-stalled Algiers Accords which brought an end to the 1998-2000 war between Ethiopia and Eritrea. Your visit is an opportunity to underscore our commitment to helping resolve problems in the region, including but not limited to terrorism, to engage in a dialogue on our bilateral military relationship, and seek a way forward on the Eritrea-Ethiopia border situation.

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DEMOCRACY AND HUMAN RIGHTS  
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¶2. (U) The U.S. remains at the forefront of trying the rebuild the democratic process in the wake of the May 2005 elections and the ensuing civil disturbances of June and November. Following the November street violence, the Government of Ethiopia (GOE) rounded up most of the leadership of the country's largest opposition organization, the Coalition for Unity and Democracy (CUD), as well as alleged allies in the media and civil society. The opposition detainees were charged with trying to overthrow the government by inciting street violence. The GOE's handling of the ongoing CUD trial, which is being followed closely by both the Ethiopian public and the international community, remains a key variable in Ethiopia's fragile democratization process.

¶3. (C) After a de facto ban of the CUD post-November, party moderates were able to re-register their organization in March as the CUDP. Charge Huddleston and European ambassadors facilitated an ongoing political dialogue between the ruling party and leaders of two opposition parties that chose to enter Parliament. Party representatives, supported by comparative studies funded by the U.S. and other donors, are discussing how to reform and strengthen democratic institutions including Parliament, the National Election Board and the media. The U.S. strategy has been to press the opposition and government alike to strengthen the democratic process. These talks are making progress. The U.S. has also called upon the GOE to improve its protection of human rights and to ensure a fair and transparent trial

for the CUD leadership and other detainees.

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BORDER DISPUTE  
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14. (C) Eritrea and Ethiopia concluded a two-year border conflict in 2000 with an Agreement on Cessation of Hostilities (Algiers Agreements). The U.S. was a witness to the Algiers Agreements. In April 2002, the Eritrea-Ethiopia Boundary Commission (EEBC), established under the Algiers Agreements, issued a final and binding decision delimiting the border. According to the Algiers agreements, both parties were to facilitate the demarcation of the border by the Commission, but Ethiopia initially objected to the decision, then accepted it "in principle" but under the condition that a broad political dialogue take place to address root causes of the conflict. Eritrea refused, stating that the border must be demarcated according to the EEBC decision without further discussion. After three years of little progress, Eritrea imposed a series of restrictions on the UN's border monitoring force (UNMEE), leading to an increase in military deployments and tension along the border. In November 2005, the UN Security Council passed a resolution urging a resumption of demarcation efforts. The USG has taken the diplomatic lead in support of the EEBC, which has convened three times this year in London, with representatives of both Ethiopia and Eritrea, to discuss steps necessary to resume demarcation of the border. Another meeting is set for June 15 in The Hague. Ethiopia has dropped the "in principal," but sticks to its bottom-line that there must be discussions on where the demarcation line is placed if lasting peace is to be possible.

15. (C) The U.S. continues to work closely with the parties to

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resume demarcation of the border and promote an eventual normalization of relations. The USG has sought to give (retired) Gen. Carl Fulford a formal role as a facilitator in the dispute, but Eritrea rebuffed initial efforts to do so through the EEBC itself. We are now planning to have the Witnesses to the Algiers Accords endorse a broader set of talks under UN auspices with Gen. Fulford's participation.

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COUNTERTERRORISM/CJTF-HOA  
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6.(C) Ethiopia is committed to the war on terrorism and is cognizant of its strategic role in the Horn of Africa. The Ethiopian National Defense Force (ENDF) has been a solid partner with the U.S. in the war on terrorism. However, relations between the ENDF and CJTF-HOA have been complicated beginning in May by the ENDF offensive to eliminate the insurgent group Ogaden National Liberation Front (ONLF) in Ethiopia's Somali region. These operations have prompted the ENDF to request a temporary curtailment of CJTF-HOA civil affairs activities in the Ogaden. ENDF Chief of General Staff Lt. General Samora Yonus has suggested that HOA civil affairs activities are inadvertently "helping" the ONLF. Somora has requested that CJTF-HOA temporarily leave the Ogaden region while the ENDF continues its counter-offensive. GOE officials have asked for a renewal of dialogue on our bilateral CT cooperation, including the role of CJTF-HOA in Ethiopia. Your visit is an opportunity to move this cooperation forward.

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HEIGHTENED CONCERNS OVER SOMALIA  
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17. (C) The GOE has conveyed to post its heightened concerns over the recent victories of the Islamic Courts Union (ICU) in Somalia. Vice Minister Tekeda expressed concerns June 12

that USG "feelers" to the ICU in Mogadishu could influence the posture of other key actors on the ground, including the Transitional Federal Government (TFG), and enhance the impression that ICU's consolidation of power in southern Somalia is a "fait accompli." The GOE, for its part, views the ICU as extremist and a significant threat to Ethiopia, though it believes that internal divisions will eventually weaken the ICU. Tekeda warned against further USG cooperation with warlord Mohammed Qanyare, claiming that its own cooperation with him had been frustrating and fruitless.

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ECONOMIC OVERVIEW  
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¶18. (U) Ethiopia remains one of the poorest countries in the world. Ethiopia's GDP for 2005 is estimated at USD 8.5 billion, with an annual per capita GDP of USD 100. Since the early 1990's, Ethiopia has pursued a development strategy based on a mixed economy of both state and private enterprises. While the private sector role is expanding, the state remains heavily involved in most economic sectors, and parastatal and party affiliated companies continue to dominate trade and industry, hampering full and free competition. In addition, increasingly frequent cycles of drought, high population growth, and inefficient agricultural markets all act as a drag on Ethiopia's economic development. Agriculture contributes 42 per cent to the GDP and employs 80 per cent of Ethiopia's 74 million people. Almost all agricultural production is rainfed and thus vulnerable to drought. Though GOE economic policies have been improving gradually, greater economic liberalization and reduction of population growth are critical to reducing poverty and increasing food security.

¶19. (U) The economy grew by 7.3 per cent in 2005, and the inflation rate was 6.8 per cent. In 2005, Ethiopia's exports grew by over 30 percent, in part due to higher world coffee prices. Major exports include coffee, oil seeds and pulses, and hides and skins, though non-traditional exports such as flowers have increased significantly over the past few years. Imports increased even faster than exports however, resulting in a growing trade deficit and increased risk of a balance of payments crisis. Ethiopia currently has no IMF program, but the USG has urged that it establish one. Ethiopia formally applied for WTO membership in January of 2003, but has since moved slowly on the accession process. The USG, through USAID, is providing technical assistance on WTO accession and strongly supports the process as a tool to promote reforms and enhance food security. Ethiopia

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participated in the enhanced Highly Indebted Poor Countries (HIPC) initiative and G8 Multilateral Debt Relief Initiative. The U.S. and Ethiopia signed a bilateral debt agreement in 2004 that provided 100 percent cancellation of Ethiopia's debt to the United States.

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DEVELOPMENT ASSISTANCE  
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¶10. (U) In coordination with donors, the GOE is finalizing its 2006-2010 Plan for Accelerated and Sustainable Development to End Poverty in Ethiopia (PASDEP). In addition to continuing poverty reduction strategies in areas such as human development, rural development, capacity building, and food security, the new development plan will increased commercialized agriculture, promote greater private sector participation in the economy, and scale-up efforts to achieve the Millennium Development Goals. Ethiopia has also adopted more effective policies to promote family planning and combat HIV/AIDS.

¶11. (U) The United States provides both developmental and humanitarian assistance to Ethiopia, though we do not provide

direct budget support (DBS). In 2005, we provided USD 465 million in food aid, roughly 200 million for health, education and governance projects, as well as 70 million through the President's Emergency Plan for AIDS Relief (PEPFAR). Our objective is to help the Ethiopian government and people construct safety nets so that they will be less vulnerable to drought, disease and famine. USAID last year developed a new initiative meant to protect the livelihoods of pastoralists in the Somali region. As a result of post-election events in Ethiopia, donors providing direct budget support, including, among others, the World Bank, European Commission, the UK, and Canada, agreed to suspend DBS. These funds have been reprogrammed through a new program, the Protection of Basic Services Grant, which includes more targeted, tightly monitored aid at the regional and district level.

¶12. (U) The USG is cooperating closely with other donors to strengthen democratic institutions such as Parliament, the National Electoral Board, the media and civil society. Current USG resources for this purpose total approximately USD 4 million. Restoring public confidence in these institutions will be essential to deepening democracy and maintaining peace and stability at the heart of the Horn of Africa.  
HUDDLESTON